STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

ROBERT W. SWANSON
DIRECTOR

Analysis of Enrolled Senate Bills 162-3

Topic:	Liquor Licenses for Economic Development Purposes
Sponsor:	Senators Jacobs and Allen
Co-Sponsors:	None
Committee:	Senate Economic Development, Small Business & Regulatory Reform House Regulatory Reform
Date Introduced:	February 3, 2005
Date Enrolled:	December 14, 2006 (SB 162) and December 13 (SB 163)
Date of Analysis:	December 21, 2006

Position: The Department of Labor & Economic Growth supports the bills.

Problem/Background: Although most liquor licenses are quota based and are dependent on population changes within local jurisdictions, the resort licenses and downtown development authority (DDA) licenses are two notable exceptions. These licenses were created to promote economic development in areas where quota licenses were no longer available.

The Legislature originally created 50 DDA licenses for full service restaurants with seating for at least 25 persons and with at least 50% of the gross receipts from the sale of on premises food. A full service restaurant is central to the development strategies of many municipalities seeking to revitalize older downtown districts. Without a liquor license such restaurants have little hope of surviving economically, and quota licenses are typically not available in these municipalities. Virtually all of the DDA licenses authorized by the Legislature have now been granted.

Redevelopment needs are not limited to downtown districts. The Liquor Control Commission, the Michigan Economic Development Authority, and the department have been working jointly for several years on a proposal that would make non-quota licenses available in other types of redevelopment areas.

Description of Bill: Both bills amend the Liquor Control Code of 1998. Senate Bill 162 creates a new section. It permits the issuance of non-quota based licenses in certain areas of cities. These areas include a city redevelopment project area meeting the investment thresholds specified in the bill and development districts established under the Downtown Development Authority Act and similar statutes. Licenses must be related to dining, entertainment, or recreation. The licensed premises are required to provide one of the three specified activities at least 5 days per week and be open to the public at least 10 hours daily 5 days per week. The applicant must demonstrate that a redevelopment project area has been created and document the level of investment in the area. The bill specifies certain investment requirements in connection with the license, including a minimum of $75,000 in rehabilitating or restoring the building and not less than $200,000 in total public and private investment in real and personal property within the qualified redevelopment project area. Licenses are not transferable. An applicant is required to attempt to obtain a quota license. There are no limits on any of the licenses issued under the bill. The license fee is $20,000.

Senate Bill 163 amends Section 521 of the Liquor Control Code, the section that authorizes the current downtown development authority licenses. The current limitation to not more than 50 licenses is deleted. There will be no limits on the number of licenses.

Summary of Arguments

Pro: These bills have the potential to become important tools for the revitalization of downtowns and other areas of a city with redevelopment needs. There are no limits on the number of such licenses that may be granted, which will make them potentially more readily available than is now the case with the current DDA licenses issued under Section 521.

Senate Bill 162 authorizes liquor licenses in downtown areas. This was important to the Michigan Municipal League and the Michigan Downtown Association, both of whom were concerned that the new economic development licenses would be primarily targeted to areas outside downtown districts.

Con: The $20,000 fee in the bill is a potential deterrent to the type of investment that the bills seek to encourage. Although this fee probably would not be an obstacle for an Applebee's or another major chain seeking to locate in one of the redevelopment project areas targeted by Senate Bill 162, it could be a disincentive to investment in downtown districts that are experiencing slow growth. Currently, the cost of a liquor license under Section 521 is $600.

Response: The $20,000 fee is consistent with the fee that is charged for resort licenses and is designed to be roughly equivalent to the market value of a quota license in areas where such licenses are available. Proponents of the fee also argue that the fee is a trade-off for the elimination of the limitation on the number of licenses proposed in the original bills.

Fiscal/Economic Impact: Applicants for liquor licenses under Section 521A will pay $20,000. The total amount of revenue is dependent on the number of such licenses issued and cannot be determined at this time.

Other State Departments: None.

Any Other Pertinent Information: The Michigan Economic Development Authority and the Liquor Control Commission support the bill. The Michigan Municipal League supports the bill. The Michigan Licensed Beverage Association was neutral with the addition of the $20,000 fee.

Administrative Rules Impact: New or revised administrative rules will not be needed.